NOTES

WASHINGTON NOTES

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Another step toward tariff revision has been taken by the presentation to Congress of the report of the Tariff Board on wool and woolens (62d Cong., 2d sess. [H.R. Doc. 342, 4 vols.]). This is the report which the Tariff Board has had in hand for a good many months past, and in expectation of which President Taft vetoed the wool-revision bill sent to him last summer by Congress during the special session. The board's report was transmitted to Congress by the President on December 21, 1911, accompanied by a special message in which he urges the adoption of some revision of the wool and woolen schedule, although he does not point out specifically just what he would like to have done. The report consists of five parts, the first being a "glossary," in which the tariff schedules on wool and woolens are reviewed, the technical terms used are explained, and the appropriate figures of production, exportation, etc., are summarized under given heads. The second part of the report deals with raw wools and their cost of production at home and abroad. The third part has reference to manufacturing, and includes tops, yarn, and woolen and worsted cloth. The fourth part deals with ready-made clothing. The fifth and last part is a report on wages and efficiency in American woolen and worsted mills. This report summarizes a great deal of information which was previously available in more or less accessible form, usually less, and may therefore be of service in connection with the study of the tariff on wool and woolens. It, however, duplicates, in part, some investigations which have recently been carried on at great length and expense. Probably the most glaring example of this duplication is furnished in the fifth part of the report, relating to wages and efficiency in the woolen manufacturing business. A like report, covering, although in a different way, a good deal of this same material, was prepared some time ago by the Immigration Commission,

and is now on the point of being issued. Very similar criticism may be offered with respect to the section dealing with ready-made clothing, which was also covered by the Immigration Commission. If from the Tariff Board report there be eliminated the portions which are not new or which duplicate other recent investigations, either just issued or on the point of being issued, the mass of data is very greatly curtailed. Practically the only new features in it are the cost figures for the production of raw wool and of woolen manufactures. To those who believe that such cost figures are of value these portions of the report will have some interest. Even this evidence, however, is vitiated by the fact that there are no comparative cost figures for foreign countries compiled upon anything like a corresponding basis. Neither in raw wool nor in woolen goods were such comparative studies made; so that it is exceedingly doubtful whether the cost figures will have much value even from the standpoint of those who believe in the use of money cost of production as a basis for the adjustment of tariff rates. This lack of a comparative basis also appears very prominently in the section on ready-made clothing and in that on wages and efficiency, both of which are treated almost exclusively from the point of view of the United States. In order to overcome the lack of comparative cost data for foreign countries, the board has in certain portions of its study, notably those relating to woolen cloths, turned away from its general figures and substituted cost analyses made with respect to specified samples of cloth, by cost-accounting experts, in domestic and foreign mills. As no light is thrown upon the number, location, or character of these mills, it does not seem certain that the data obtained from them will be of direct utility. The report is decidedly disappointing on account of the incomplete character of its data.

The fact that the report has been sent to Congress has, however, given a new turn to the tariff discussion in general, and is likely to prove a fact of importance throughout the remainder of the current session. It had been the intention of Democrats to deal with the textile schedules again at the opening of the session, but the receipt of the board's voluminous findings has led them to defer action on textiles until they can examine the report in detail. Hearings will probably be given to manufacturers in order that they may be questioned as to the bearing of the board's conclusions upon the duties. This means a necessarily long delay, particularly as the Tariff Board has not even yet turned in its report on cotton textiles. Therefore, in order to make some immediate

progress with the tariff, the Ways and Means Committee has definitely decided to take up the steel schedule before it deals with those relating to woolens and cottons. Probably not only steel but chemicals will be disposed of by the committee before it devotes much further attention to the textiles. The report of the board has consequently delayed action on textiles not only during the special session but probably also during a large part of the current regular session. It is doubtful whether any satisfactory equivalent for this postponement will be found in the changed results produced by the report itself. "Old-line" Republicans have, however, received the report with very great satisfaction, and the Republican minority of the Ways and Means Committee has addressed itself to the task of preparing a bill designed to put into effect the suggestions of the board. The difficulty in the way of this program is that the board has made no distinct suggestions as to the rates of duty. The report on wool and woolens contains not even a single suggested rate, almost the only tariff reference contained in it being the recommendation that duties on raw wool should be based upon the scoured or washed fine-wool pound instead of upon the pound of grease wool as at present. It remains, therefore, for the Ways and Means members to work out their own ideas as to the best manner of giving effect to the findings of the board. Wool-growers in the western states have meantime accepted the report with considerable favor. Senator Warren, of Wyoming, himself a large wool-grower, who was consulted by the board in the preparation of the cost schedule upon which its inquiry was based, has expressed himself as thinking that the meaning of the board's report on raw wool would be that probably not to exceed 10 per cent of present duties could be cut off, if so much as that, provided that it was intended to continue the policy of protecting the wool-grower against foreign competition. The chief outcome of the board's report is thus partially to heal the breach between the Administration and the "old-line" Republicans by affording them a common basis of action, founded upon the idea of reductions in existing rates of duty which shall be practically little more than nominal in amount.

On the date set by the legislation of last summer, January 8, 1912, the National Monetary Commission filed with both houses of Congress a report covering their work of the past three years, accompanying this with a suggested form of bill designed to bring about better conditions of banking in the United States. The report and accompanying bill have been published as S. Doc. 243, 62d Cong., 2d sess., while the bill

itself has been introduced in the Senate by Theodore E. Burton, of Ohio, as S. 4431. As yet the measure has not been formally introduced in the House, but it is expected that it will be presented there very shortly by Mr. A. P. Pujo, of Louisiana, the present chairman of the House Banking and Currency Committee. The general plan of banking recommended by the commission in its report is the same that has been frequently discussed, and substantially follows the latest draft of a suggested plan of legislation put forward in October last by Senator Nelson W. Aldrich, the chairman of the commission. It has been largely improved by the addition of numerous safeguards and by the working-out of details as was necessary in preparing the bill. This detailed work of applying the somewhat general and vague ideas which had previously been determined upon was intrusted to a committee of treasury officials, including the Comptroller of the Currency and several others, the results of whose work went to a subcommittee of the Monetary Commission. Of the latter, Senator Aldrich was chairman, as he was of the commission itself. While many important changes of detail have been made in the bill, the most interesting features are perhaps the new method of electing directors, the provision which is intended to prevent banks from controlling the stock of other banks, and the clauses authorizing the establishment of banks with a home office in the United States to do business in foreign countries, their stock to be owned by other banks in the United States. The new plan for selecting the directorate is intended to attain two objects: the one, that of giving more authority to the small banks; the other, that of insuring the geographical distribution of the directors in a way that would prevent any "section" of the country from securing control of the board. The provision which is intended to prevent a bank from securing control of other banks is found in section seven, in which it is provided that "in case 40 per-centum of the capital stock of any subscribing bank is owned directly or indirectly by any other subscribing bank, or in case 40 percentum of the capital stock in each of two or more subscribing banks, being members of the same local association, is owned directly or indirectly by the same person, persons, co-partnership, voluntary association, trustee, or corporation, then and in either of such cases neither of such banks shall be entitled to vote separately, as a unit, or upon its stock, except that such banks acting together, as one unit, shall be entitled to one vote, for the election of the Board of Directors of such local association." The new bill retains the provision that notes issued by the National Reserve Association may be counted by national banks in their reserve,

and it also retains the plan whereby 2 per cent bonds now held by the banks are to be taken over by the National Reserve Association and refunded into 3 per cent bonds subject to the payment of a franchise tax of $1\frac{1}{2}$ per cent upon the total amount of bonds thus taken over. The outstanding demand liabilities of the National Reserve Association, both notes and deposits, are to be protected by a gold reserve of 50 per cent. Other main requirements of the bill remain very much the same as in former drafts, subject to the improvements in detail to which reference has already been made.

The National Monetary Commission now has a brief additional period of recognized existence during which it is intended to prepare, probably, a supplementary report. The commission bill as already described makes no provision for the great variety of administrative changes in the national banking act which have long been called for. A complete draft of these changes has been prepared by the Comptroller of the Currency and placed in the hands of the National Monetary Commission, which, it is understood, has given a general approval to them, although it has not been able to take them up in full, and did not think it wise to incorporate them into its first bill. The supplementary report will deal partly with these and partly with other matters which have not been fully covered, it is felt, in the general report and bill. In view of the difficulty of securing prompt action from Congress upon the main banking question, it is desired by some to have the national bank act improved by the adoption of a bill embodying these administrative changes. It is probable that even this relatively minor change would involve a very lengthy struggle and debate on the floor. There would be some advantage in getting this disposed of before the main problem of banking was taken up. As against this advantage is cited the offsetting disadvantage that such a contest would result in distracting attention from the main problem, and would thereby tend to defer action still further. Conditions in the national banking system are, however, extremely unsatisfactory from the administrative standpoint, and this makes the problem of adjustment a decidedly pressing and immediate one. The remaining existence of the National Monetary Commission will therefore be fully occupied in digesting the Comptroller of the Currency's recommendations and in mapping out a plan for Congress embodying them or some of them.

What appears to be a practicable settlement of the arbitration treaties with England and France sent to Congress by President Taft

at the special session has now been arrived at, as a result of the decided growth of public opinion in favor of the treaties and the consequent breaking-down of opposition in the Senate with reference to them. The treaties were sent to Congress by President Taft last August (S. Doc. 98, 62d Cong., 1st sess.) and were adversely reported by Senator Lodge, acting for a majority of the committee (Executive Report No. 1, 62d Cong., 1st sess.). Later a favorable minority report was turned in by Senators Root, Cullom, and Burton (Executive Report No. 1, Part 2, 62d Cong., 1st sess.). Still later, a second favorable minority report was filed by Senator Rayner, January 4, 1912 (S. Doc. 98, Part 2, 62d Cong., 2d sess.). The final development in the discussion came on January 10, when Senator Lodge, feeling that the argument in behalf of the treaties was growing too strong to be resisted by himself and his colleagues, presented in executive session a resolution for ratification in the following language:

> The Senate advises and consents to the ratification of the treaty with the understanding, to be made a part of such ratification, that in any Joint High Commission of Inquiry to which shall be referred the question as to whether or not a difference is subject to arbitration under Article I of the treaty as provided by Article III thereof, the American members of such commission shall be appointed by the President subject to the approval of the Senate and with the further understanding that the reservation in Article I of the treaty that the special agreement in each case shall be made by the President by and with the advice and consent of the Senate means the concurrence of the Senate in the full exercise of its constitutional powers in respect to every special agreement whether submitted to the Senate as the result of the report of a Joint High Commission of Inquiry under Article III or otherwise.

This "Lodge compromise" practically gives up most of the points which were cited against the treaties at the start. The opposition was chiefly based upon the alleged infringement of the treaties upon the power of the Senate involved in taking away from the latter body the treaty-making power, as it was contended they would, and upon the belief that the signing of these treaties would commit us to the arbitration of many issues which we are presumably not willing to have arbitrated or called into question at all, such, for example, as the Monroe Doctrine and its interpretation, or the payment of the debts which have been repudiated in years past by southern states. The question has been largely discussed, also, how far international economic and financial controversies would be influenced through the adoption of these agreements. The development of opinion during the past few weeks has pointed strongly to the belief that the language of the treaties was more

trustworthy than had been supposed, and that the interpretation of the words "justiciable," and "law and equity," used in describing the classes of questions subject to arbitration, would not be so dangerous as critics had anticipated. Mr. Lodge's proposed compromise merely requires the ratification by the Senate of the appointments of arbitration commissioners named by the President—a thing to which no one has objected —and the reservation of the power of assenting to or rejecting every decision as to whether a question shall be subject to arbitration or not. This latter is much the more important point, but is not considered as constituting a serious infringement upon the meaning of the treaties.

Another step forward in the further working-out of the curious history of the reciprocity action of the past year has been taken by President Taft in referring to the United States Court of Customs Appeals the problem how much validity still remains in the reciprocity law passed by Congress. It will be recalled that in the reciprocity act the free admission of pulp and paper from Canada was segregated from the other tariff concessions and was placed in a separate section (section 2). After Canada had rejected the proposed reciprocity agreement, the Treasury Department ruled that section 2 was nevertheless in effect, since it stipulated no countervailing concessions. It, therefore, admitted pulp and paper free from Canada, provided that they came from lands on the output of which no export tax was levied. This led several foreign nations—Germany, Austria, Sweden, Norway, Denmark, and Belgium—to demand a similar privilege by virtue of their most-favored-nation relations with this country. Had these concessions been granted, practical free trade in pulp and paper would have been established. President Taft referred the question of granting the concessions to Secretary Knox and Secretary McVeagh, who advised him that they must be conceded. His reluctance to grant such free trade in pulp and paper has now led him to refer the matter to the Customs Court and he has announced his decision to Congress in H.R. Doc. 416, 62d Cong., 2d sess., which contains a complete summary of the situation. The action in referring the subject to the court will raise certain very nice points affecting our future action under the most-favored-nation clause and is therefore of large general interest from a tariff and commercial point of view.